

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

3 IN RE: . Chapter 11
4 FTX TRADING LTD., et al., . Case No. 22-11068 (JTD)
5 .
6 . Courtroom No. 5
6 . 824 Market Street
6 . Wilmington, Delaware 19801
7 .
7 . Tuesday, November 22, 2022
7 . 11:00 a.m.

TRANSCRIPT OF FIRST DAY HEARING
BEFORE THE HONORABLE JOHN T. DORSEY
CHIEF UNITED STATES BANKRUPTCY JUDGE

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16 John J. Ray III

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17 Edgar W. Mosley II

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1 (Proceedings commence at 11:02 a.m.)

2 THE COURT: Good morning, everyone. Thank you.

3 Please be seated.

4 All right. Before we begin, I wanted to make some
5 announcements about conduct and decorum. I know this case
6 has generated a great deal of public interest and publicity.
7 And understandably, a lot of people are anxious and upset
8 about what happened with this company. But it's important to
9 remain -- to maintain proper courtroom decorum, both in the
10 court, for those who are here, and for those participating
11 remotely. At this point, we have 535 people on the Zoom
12 call.

13 So, if you're participating in the courtroom,
14 please keep in mind that the proceeding is being recorded.
15 If you want to speak, you will need to approach the podium or
16 speak from one of the microphones at counsel table, so that
17 we can pick up the recording and make sure we have a good
18 record. Everyone should have their cell phones on silent.
19 If you haven't done that already, please do so.

20 If you're on the Zoom call, please keep the line
21 muted and your video off, unless you are asking to speak.
22 And if you do want to speak, you need to use the raise-your-
23 hand function on the Zoom call, and I will recognize you and
24 give you an opportunity. But keep in mind that, you know,
25 everyone has a right to be heard, but today might not be the

1 day for everyone to be heard because we have a lot of people
2 involved in this case.

3 Any interruptions, of course, will not be
4 tolerated. If you -- you know, if you make noise on the Zoom
5 call, I will have you removed from the call. You will not be
6 allowed to reenter. If you turn your video on before
7 recognized, I will have you removed from the call, as well.

8 And for the future, there is, on the court's
9 website, we have set up a YouTube channel for this case, so
10 that parties who are -- want to -- don't need to participate,
11 but what to listen to what's happening -- it's only audio,
12 it's not video -- so you can listen to proceedings on the
13 YouTube channel going forward from here.

14 One other thing is, prior to the hearing, I did
15 conduct a chambers conference with debtors' counsel and
16 counsel for the Government -- and I see I already have people
17 coming on with their videos on -- with government counsel and
18 the U.S. Trustee's Office over the -- regarding the motion to
19 seal and the accompanying motion that was filed yesterday.

20 I heard the discussion and I will be granting the
21 relief, both on the motion to seal and the underlying request
22 for relief that was requested under seal, but it's on an
23 interim basis only, both of those; meaning, the seal motion
24 and the motion for relief is on an interim basis only, and it
25 will probably be lifted relatively quickly and we'll put this

1 on for the final hearing when we come back in a few weeks.

2 Okay. All right. With that, I will turn it over
3 to debtors' counsel to run the agenda.

4 MR. LANDIS: Good morning, Your Honor, and may it
5 please the Court, Adam Landis from Landis, Rath & Cobb,
6 proposed co-counsel to the debtors in the FTX Trading Limited
7 group of debtors that we have filed.

8 Let me thank Your Honor for not only hearing us
9 today with respect to the request for relief filed on the
10 agenda, but also in connection with the Section 105 chambers
11 conference that you conducted this morning.

12 With me this morning is a team from Sullivan &
13 Cromwell, proposed counsel to the debtors. At counsel table:
14 Andrew Dietderich, James Bromley, Brian Gluckstein, Alexa
15 Kranzley, Julie Petiford.

16 Our declarants are in the courtroom: Mr. John Ray,
17 Edgar Mosley from A&M.

18 And I would remiss if I didn't also recognize the
19 Office of the United States Trustee, who has been here and
20 been working with us tirelessly, really, over the last
21 several days, hours, into the wee hours of the night.
22 They've gone above and beyond to work through a number of
23 issues with us. And I'm pleased to report that almost
24 everything that has been raised by the United States Trustee
25 has been consensually resolved in connection with the first-

1 day motions, almost everything.

2 THE COURT: I was going to say "almost everything."

3 MR. LANDIS: Almost everything. That word "almost"
4 is doing a lot of work in that sentence.

5 But with that, Your Honor, what I'd seek to do --
6 and -- is cede the podium to Mr. Bromley, who will present,
7 and we'll work our way through the agenda in due course.

8 THE COURT: All right. Thank you.

9 Mr. Bromley.

10 MR. BROMLEY: Good morning, Your Honor. May it
11 please the Court, James Bromley of Sullivan & Cromwell,
12 proposed co-counsel to the debtors in these cases.

13 I'd like to echo Mr. Landis' comments and thank the
14 Court for the accommodation of hearing us today and for
15 hearing us earlier in chambers with respect to the motion
16 under seal.

17 Your Honor, we are here on an unprecedented matter,
18 and I don't say those words lightly. We are dealing with a
19 first-day hearing that is taking place well over a week after
20 these cases were filed. That, in and of itself, is uncommon.
21 But what we have here with respect to the FTX Debtors is a
22 different sort of animal.

23 Before I get into it, Your Honor -- and I have a
24 presentation to go through -- I do want to go through in some
25 detail just to talk a little bit about the folks who are in

1 the courtroom and who Mr. Landis has already introduced.

2 First of all, we do have in the courtroom Mr. John
3 Ray, who is the Chief Executive Officer and Chief
4 Restructuring Officer of the FTX Debtors before you. Mr. Ray
5 has over 40 years of experience in the law and restructuring,
6 including leading the Enron estate, Fruit of the Loom,
7 Nortel, Residential Capital. Mr. Ray is uniquely qualified
8 to be guiding this very complex and developing exercise.

9 In addition, Mr. Ray has assembled a team of
10 advisors, and we have Mr. Landis and his terrific crew here
11 in Wilmington.

12 We have the Alvarez & Marsal team, led by Ed Mosley
13 and Steve Coverick. The A&M team are critical to this
14 exercise because I think, as many people have read Mr. Ray's
15 first-day declaration, unfortunately, the FTX Debtors were
16 not particularly well run, and that is an understatement.

17 One of the things that Mr. Ray says in his first-
18 day declaration is we are now writing things down. And it is
19 with the incredible efforts of the A&M team that we are
20 working to organize and secure all of the assets of these
21 very complex estates.

22 In addition, Your Honor, we have the team from
23 Sullivan & Cromwell, who Mr. Landis has already introduced.
24 But there are three other individuals I'd like to mention.
25 Because of the issues that we're facing here, we have

1 assembled a team of investigators who are at the top of their
2 fields:

3 In the courtroom today is Mr. Steve Peikin, who is
4 a former Director of Enforcement at the SEC and a former U.S.
5 Attorney -- Assistant U.S. Attorney for the Southern District
6 of New York.

7 With him is Jamie McDonald, a former head of
8 enforcement at the CFTC and also a former AUSA and [sic] the
9 Southern District of New York.

10 Not here in the courtroom, but an equally important
11 member of the team is Nicky Friedlander, the former Chief of
12 Complex Frauds and the Cyber Crime Unit in the Southern
13 District of New York.

14 These individuals are working tirelessly to help us
15 identify all of the issues that we need to deal with, in
16 terms of what has happened. And in particular, they are
17 interfacing, as I will indicate in -- later in the
18 presentation, with the U.S. Government and the various
19 regulators around the world who have taken a very keen
20 interest in this situation. They will be reporting to Mr.
21 Ray as the CEO and CRO.

22 In addition, we have engaged Nardello & Company,
23 which is a leading investigative firm. That was one of the
24 first things that Mr. Ray instructed us to do, and we brought
25 Nardello on, and they are working with us both here in the

1 United States and around the world.

2 We have engaged a firm named Chainalysis, which is
3 the leading consultant with respect to blockchain analysis
4 because all of the issues that we're dealing with in the
5 cyberspace relate to blockchain transactions, and Chainalysis
6 has been working around the clock with us to secure the
7 assets and identify them.

8 In addition, we have retained a cyber security
9 firm, the identity of which we have not disclosed because of
10 concerns that those who are undertaking cyber attacks on the
11 company and its assets will use that information to their
12 benefit.

13 We've also engaged Kroll, formerly known as Prime
14 Clerk, to be our noticing and claims agent;

15 Joele Frank to be our communications consultant.

16 And in addition, the law firm of Quinn Emanuel has
17 been retained to provide advice to the board of directors,
18 the independent board that we have appointed, and I will
19 describe them in a few moments.

20 With that, Your Honor, that's the team that's been
21 assembled. And we have been working literally around the
22 clock to get to this day.

23 As I mentioned earlier, "unprecedented" is the word
24 of the day. The crypto crisis that we're facing in the
25 United States and around the world is well documented, but

1 the FTX situation is both the latest and the largest failure
2 in this space.

3 Beginning at the -- in the first week of November,
4 there was effectively a run on the bank with respect to FTX,
5 both with respect to the international exchange, which is
6 operated under the brand name FTX.COM, as well as the U.S.
7 exchange, which was under -- operated under the brand name
8 FTX US.

9 At the same time that the run on the bank was
10 occurring, there was a leadership crisis. As I will describe
11 in a moment, the FTX companies were controlled by a very
12 small group of people led by Mr. Sam Bankman-Fried. During
13 the run on the bank, Mr. Fried's leadership frayed and that
14 led to resignations throughout the ranks.

15 This is a developing situation, Your Honor. We
16 recognize that there are millions of customers around the
17 world and in the United States. We recognize that the
18 debtors have unreliable books and records. We recognize that
19 the debtors have compromised systems and have been subject to
20 cyber attacks. We recognize that press and internet
21 attention is at an all-time high with respect to these
22 debtors.

23 It is for that reason, Your Honor, that we have
24 decided that we are going to -- that Mr. Ray has set out five
25 core objectives, and I'm going to go through those

1 objectives. But I think it's fair to say that those who are
2 involved right now, today, in running FTX understand the
3 concern and the outrage as to what has happened and we are
4 working day and night to bring order to disorder.

5 Your Honor, as Mr. Ray has set forth in his first-
6 day declaration, there are five core objectives that we are
7 pursuing at the moment:

8 The first is the implementation of controls. As I
9 described, Mr. Ray has been installed as the CEO and CRO of
10 the debtors. He has assembled an impeccable team of advisors
11 and put in place an independent board.

12 This independent board provides, for the first time
13 in the history of FTX, a traditional and dependable
14 governance structure. Prior to the commencement of these
15 cases, FTX was in the control of a small group of
16 inexperienced and unsophisticated individuals. And
17 unfortunately, the evidence seems to indicate that some or
18 all of them were also compromised individuals.

19 Now the types of controls that we're putting in
20 place right now with the assistance, in particular, of
21 Alvarez & Marsal are traditional and market standard
22 accounting, audit, cash management, human resource, risk
23 management, and data management standards. In doing this,
24 it's important to note that the -- there are -- is a core
25 group of employees who have remained at the FTX companies who

1 have stepped up in the face of incredible uncertainty and
2 have been assisting all of the advisors in making sure that
3 the assets are secured and the records are now being kept in
4 a manner that is appropriate.

5 I'd like to focus for a moment, Your Honor, on
6 board governance. We have several -- identified several
7 silos of the business. And this is for organizational
8 purposes. We'll talk in a moment about the organizational
9 chart.

10 But with respect to these silos, the first is -- we
11 call it the "WRS Silo," which is the U.S. currency exchange
12 silo. An independent director, Mitchell Sonkin, has been
13 appointed to the board of WRS. He is a lawyer. He is the
14 former Chief Executive at MBIA, who led the -- MBIA's
15 exposure in the Puerto Rico situation for almost ten years.
16 He's a member of the board of Residential Capital. He is
17 also a former partner of King & Spaulding, with over 40 years
18 of experience.

19 The next silo is the Alameda Silo. Alameda
20 Research is a substantial debtor here and it operated
21 effectively as a hedge fund within the FTX group of families
22 -- group of companies. Installed as a director at Alameda is
23 Matthew Rosenberg, with an expertise in finance. He is an
24 investment banker and investor with Lincoln Park Advisors
25 from Chicago. Before starting at Lincoln Park Advisors, he

1 was a partner at Chilmark Partners and advised on matters,
2 including SuperMedia, Covanta, USG, Nortel, Overseas
3 Shipholding Group, and Conte Group. He has over 30 years of
4 experience.

5 There's a silo that we have identified as the
6 Venture Silo. The director at that silo, independent
7 director, is Rishi Jain. Rishi has a background in finance,
8 he is a Managing Director at the Accordion Group, which
9 specializes in financial and technology consulting. He also
10 worked for Alvarez & Marsal for over ten years and was
11 instrumental in the Washington Mutual exercise.

12 At the Dotcom Silo, which is the international
13 business, we have two directors, Your Honor, independent
14 director:

15 First is Joseph Farnan, a lawyer from Delaware,
16 former judge and U.S. Attorney, with experience in complex
17 financial disputes and investigations.

18 Joining Mr. Farnan at the dot-com board is Matthew
19 Doheny. Matthew Doheny is a financial expert. He is the
20 Chief Executive of North Country Capital. He has been either
21 on the board of directors or Chief Restructuring Officer of
22 Yellow Corp., the trucking company, Residential Capital,
23 Kodak, and MatlinPatterson. Prior to that, he worked at HSBC
24 and Deutsche Bank.

25 Our second core objective, Your Honor, is asset

1 protection and recovery. It's important to note that we're
2 not just talking about crypto assets or cash assets or
3 physical assets; we're also talking about information. And
4 information, here, is an asset.

5 Unfortunately, as the debtors have -- new advisors
6 have -- and Mr. Ray have been exercising their investigations
7 so far, a substantial amount of assets have either been
8 stolen or are missing. We are suffering from high cyber
9 attacks, both on the petition date and in the days following.
10 And we have, as I mentioned earlier, engaged sophisticated
11 expertise to protect against the hacks, but they continue.

12 The third objective, Your Honor, is transparency
13 and investigation. As I noted, there is a team of
14 investigators who are working tirelessly with the debtors to
15 collect and coordinate information.

16 The debtors will conduct the investigation. We
17 recognize this is not a normal situation and that there are
18 others who will have to review the facts and the history. We
19 are going to serve as a central repository. Unlike many
20 debtor cases, where the debtor already knows what information
21 it has, this debtor is accumulating the information in
22 realtime.

23 We are also in constant communication with the U.S.
24 Department of Justice and the Southern District of New York
25 Cyber Crimes Unit, which has opened a criminal investigation

1 with respect to these debtors. We are in communication
2 constantly with the Securities and Exchange Commission, the
3 Commodities Futures Trading Commission. We have received
4 requests, I would say -- some might say "demands" -- from the
5 U.S. Congress, both from the Senate and the House, to have
6 Mr. Ray appear during the month of December. We are
7 coordinating with regulators in multiple states around the
8 United States, as well as foreign regulators around the
9 world.

10 I think, Your Honor, it's fair to say we typically
11 would not quote things that happen on Twitter, but there was
12 a quote that I think summarizes this quite well, which is:

13 "What appears to be taking place is a serious
14 investigation by serious adults."

15 And we would respectfully agree with that
16 characterization.

17 THE COURT: There might be other things on Twitter
18 you wouldn't agree with, though, about this case.

19 MR. BROMLEY: Well ...

20 (Laughter)

21 MR. BROMLEY: That's for sure.

22 Our fourth core objective, Your Honor, is
23 efficiency and coordination. As you will see, Your Honor,
24 this was an enterprise that operated around the world, not
25 only at the time of the petitions, but also during the brief

1 history that it had leading up to the filing of the
2 petitions.

3 There has been a joint administration proceeding
4 commenced in Australia. We have already made arrangements to
5 meet with the joint administrators from Australia, who are
6 coming to New York in the next couple of weeks, and it is our
7 hope to be able to approach Your Honor with a consensual
8 protocol with respect to the Australian proceedings.

9 I think Your Honor is also aware that there has
10 been a liquidation proceeding commenced in the Bahamas with
11 respect to a single entity, FTX Digital Markets Limited. And
12 representatives of the joint provisional liquidators are here
13 in the courtroom today.

14 Your Honor may also be aware that the joint
15 provisional liquidators had filed a petition before the
16 Southern District of New York Bankruptcy Court to recognize
17 the proceedings in the Bahamas under Chapter 15 of the
18 Bankruptcy Code. We had filed with Your Honor a motion to
19 transfer that case from the Southern District of New York to
20 the District of Delaware, and we are pleased to report that
21 we have reached an agreement with the joint provisional
22 liquidators to do just that, to bring the case from New York
23 here to Delaware.

24 It is our wish to engage in a constructive dialogue
25 with the joint provisional liquidators. However, as we noted

1 in our pleadings to transfer, we do have evidence that there
2 have been movement of assets out of the debtors' estates to
3 the Bahamas, and there have been somewhat cryptic comments
4 that have been issued by the Government of the Bahamas as to
5 the actions they have taken with respect to certain assets.

6 It's sufficient to say at this point, Your Honor,
7 that the debtors reserve all of their rights with respect
8 both any requests by the joint provisional liquidators to
9 recognize the proceedings here and with respect to any relief
10 they may request.

11 I would say, Your Honor, though, it is essential to
12 keep in mind that, as we are going forward and dealing with
13 any of these foreign entities and with respect to any
14 regulators or liquidators that might be appointed, that we
15 are focusing on a single word, which is "reciprocity." It is
16 essential that any dealings that we have are characterized by
17 reciprocal relationships, both with respect to asset recovery
18 and information sharing.

19 Finally, Your Honor, maximization of value. We
20 realize that there are many people that are looking to get
21 their money back immediately, and we sympathize with that and
22 we are working towards being able to do that. It is
23 essential, though, Your Honor, that we first maximize the
24 value of the assets of the estates. We have to identify
25 those assets, we have to collect them, and we have to

1 maximize them, whether that means selling assets, selling
2 businesses, or reorganizing businesses. All of those things
3 are on the table. And we believe, Your Honor, that we will
4 be before you quite quickly with an attempt to sell certain
5 of the businesses that we understand, at least today, are
6 self-sufficient, robust, and have generated interest from
7 others in the marketplace.

8 So, Your Honor, just I put up on this screen a
9 slide which duplicates the big board that we have here in the
10 courtroom. And just before I go further, this does capture,
11 from a summary perspective, the four silos that this business
12 operates.

13 The green silo, WRS, is the U.S. domestic currency
14 exchange. You will see that that was ultimately controlled
15 by Mr. Sam Bankman-Fried, and that the control of the WRS
16 Silo was also then shared with two other of the founders of
17 the business, Gary Wang and Nishad Singh. There were
18 approximately 23 percent of the business that was also owned
19 by third-party investors, and I will get to that in a moment.

20 The Alameda Silo, again, relates to Alameda
21 Research. That is, effectively, the hedge fund within the
22 FTX enter -- world. The Alameda Silo was controlled by Mr.
23 Sam Bankman-Fried and Gary Wang.

24 The Venture Silo is the most recent addition to the
25 FTX world. That was controlled, effectively, 100 percent by

1 Mr. Sam Bankman-Fried.

2 And the Dotcom Silo is the international exchange.

3 As you can see, Your Honor, that was 75 percent controlled by
4 Mr. Sam Bankman-Fried and 25 percent by third-party
5 investors.

6 Your Honor, I'd like to go through a bit of the
7 history with respect to FTX.

8 This does start with Mr. Sam Bankman-Fried. Mr.
9 Fried -- Bankman-Fried went to MIT, and it was at MIT that he
10 met Gary Wang. Mr. Bankman-Fried graduated in 2014, less
11 than ten years ago. Mr. Wang graduated in 2015. The third
12 founder, Nishad Singh, graduates in June of 2017 from the
13 University of California at Berkeley.

14 It's in November of 2017 that Mr. Bankman-Fried and
15 Gary Wang found the Alameda Research business, which is
16 effectively a crypto hedge fund that is headquartered in
17 Berkeley, California.

18 Fast-forward two years, a little less than two
19 years, April of 2019, the Dotcom Silo or FTX.COM is founded.
20 It is founded in Hong Kong. It is founded in Hong Kong
21 because of the regulatory regime that was present in Hong
22 Kong and it was founded with the business FTX Trading
23 Limited, and Antiguan company, which is a U.S. debtor in
24 these cases.

25 In July of 2019, the FTT Token was launched. The

1 FTT Token is effectively a credit that is able to be used on
2 the FTX exchanges. And also, because of that credit that's
3 able to be used, it also carries with it or did carry with it
4 a value in the marketplace and traded separately.

5 In July of 2020, the Clifton Bay Investments LLC
6 was formed here in Delaware.

7 In January of 2020, FTX US is founded by Sam
8 Bankman-Fried, by Gary Wang and Nishad Singh. That is
9 founded, as well, in Berkeley, California.

10 In November of 2020, the Bahamas passes the DARE
11 Act, a digital assets act, which is intended to encourage the
12 relocation of crypto businesses to the Bahamas.

13 In July of 2021, FTX Digital Markets, the Bahamian
14 single debtor, is formed.

15 And in September of 2021, Mr. Bankman-Fried
16 announces that FTX Digital Markets is going to be registered
17 with the Securities Commission of the Bahamas.

18 In May of 2020, the U.S. silo, WRS, moves its
19 headquarters from Berkeley, California to Chicago, Illinois.

20 Then, in September of 2022, the U.S. silo announces
21 that it's in the process of moving its headquarters from
22 Chicago to Miami.

23 There were a series of investments that were made
24 in FTX:

25 November of '19, Binance, a current --

1 cryptocurrency exchange that operates offshore, enters into a
2 strategic partnership and invests in FTX. Binance will
3 appear later in the script, so to speak.

4 In July of 2021, Binance divests the entirety of
5 its equity stake. This is a substantial outbound payment
6 that is made by FTX and it also includes a substantial amount
7 of the FTT Token. An investigation will have to take place
8 with respect to the Binance divestment and the amounts of
9 money and tokens that were paid to Binance.

10 Also, at the same time, in July of 2021, there was
11 an investment of a billion dollars by a series of third-party
12 investors, including Sequoia, Paradigm, and Thoma Bravo.

13 Just a few months later, in October of 2021, there
14 was an additional investment, Series B1, of another 420
15 million. This included, at the time, the Ontario Teachers
16 Pension Fund, Tiger Global, and Blackrock. At the time, in
17 October of '21, this is, again, just FTX.COM, the
18 international exchange. The market valued the company at \$25
19 billion.

20 In January of '22, two things happened:

21 First, there was an investment into the U.S. silo,
22 a Series A four-hundred-million-dollar investment by
23 investors, including Multicoin, Paradigm, and Sequoia. That
24 valued the U.S. silo, the U.S. currency exchange, at \$8
25 billion.

1 And at the same time, in January of '22, there was
2 an investment of another \$500 million in the international
3 business, the Dotcom silo, with investors including Paradigm,
4 SoftBank, and Temasek, the sovereign wealth fund of
5 Singapore. That valued the business, at the time, at \$32
6 billion.

7 So, when you combine the U.S. silo and the
8 international silo, in January of '22, just 10 months ago,
9 the overall value of those two businesses was \$40 billion,
10 from a market cap perspective.

11 Your Honor, I want to talk a little bit about the
12 employee base with respect to the debtors, and this is as of
13 October 31, 2022. And we picked that date because it was a
14 date that seemed to correspond with sort of the last clear
15 information date that was also a point in time when the
16 business seemed to be stable.

17 So, as of October 31, 2022, the debtors, the U.S.
18 debtors, employed 330 employees around the world. This pie
19 chart gives you a sense of where they were located. They
20 were located in many different jurisdictions, but the largest
21 number were located here in the United States.

22 When you take into account the nondebtor employees
23 -- and that would include those who were employed by the
24 Australian business, as well as FTX Digital Markets in the
25 Bahamas, the number increases by 190 to 520 employees. And

1 when you look at the worldwide number of employees as of
2 October 31, 2022, including nondebtors, again, the United
3 States has the largest number of employees, the Bahamas
4 second, and -- well, other is second -- and these are people
5 who are working remotely -- and the Bahamas is third.

6 This chart, Your Honor, focuses on the distribution
7 of customers on a global basis, between both the U.S. WRS and
8 the Dotcom international silos. This is as of the petition
9 date, based on the best information that we have. You will
10 see, Your Honor, that the largest jurisdictions are the
11 Cayman Islands and the Virgin Islands, with China, Great
12 Britain, and Singapore following.

13 With respect to the Dotcom Silo -- and this is the
14 international silo, 94 percent of the customers were
15 customers of FTX Trading Limited, that is a U.S. debtor, and
16 approximately 6 percent were customers of FTX Digital Markets
17 Limited, the Bahamian entity that is under the jurisdiction
18 of the joint provisional liquidators.

19 The reason for this disparity is that, in May of
20 2022, when FTX Trading Limited was considering transferring
21 its customers over to Digital Markets, it did not do so. So
22 none of the customers that preexisting FTX Trading customers
23 as of the middle of May of 2022 transitioned over to being
24 official customers of FTX Digital Markets. They remained
25 customers of FTX Trading Limited, a U.S. debtor, which,

1 again, Your Honor, brings us back to the recovery silos.

2 The exercise here, Your Honor, is to identify the
3 assets in each of these silos. And you can see that each of
4 these silos has different types of assets, right? In the --
5 if you look at the Dotcom Silo and the WRS Silo, the assets
6 are relatively similar: Cash and cash equivalents,
7 cryptocurrency, subsidiaries, and that's about it, cash, cash
8 equivalents, cryptocurrency. They were operating as crypto
9 exchanges.

10 The Alameda Silo, Your Honor, is somewhat
11 different, right? That is the hedge fund. Substantial funds
12 appear to have been transferred from other silos to Alameda,
13 and it appears that assets were used for a number of
14 purposes. Substantial investments were made in ventures that
15 were primarily focused on the crypto and technology sphere.
16 But there were also substantial amounts of money that were
17 spent on things that were not related to the business.

18 For instance, one of the U.S. debtors is an entity
19 that is operate -- that purchased almost \$300 million worth
20 of real estate in the Bahamas. Based on preliminary
21 investigations, most of those -- most of those real estate
22 purchases related to homes and vacation properties that were
23 used by senior executives of the company.

24 Substantial funds were also spent in the Venture
25 Silo to make venture investments in a number of different

1 businesses. One of the things that the debtors are doing
2 right now is to identify whether or not any of these venture
3 investments are able to be sold and how much they're able to
4 be sold for.

5 So, Your Honor, what we have is a worldwide
6 organization, but an organization that was run, effectively,
7 as a personal fiefdom of Sam Bankman-Fried.

8 The business only had a short life. It was founded
9 in 2017 at Alameda. The currency exchanges were founded in
10 2019 and 2020. And here we are, less than two years later,
11 in bankruptcy, having collapsed.

12 In effect, the company, during that period of time,
13 wandered the world. It started in Berkeley, it went to Hong
14 Kong, it went to Chicago, it went to Miami, it went to the
15 Bahamas. But at all times, it was, effectively, under the
16 control of Mr. Bankman-Fried. And effectively, what we had
17 was a lack of corporate controls at a level that none of us
18 in the profession that have looked at it so far have ever
19 seen.

20 Your Honor, this is a slide that gives you a sense
21 of the different investments that exist in the silos. So no
22 need to focus too much on it, but what we have is a number of
23 different investments that were made in the Venture Silo, a
24 number that were made in the Alameda Silo, a number that were
25 made at the WRS silo -- including LedgerX, which is a

1 licensed derivatives brokerage business and still operating
2 as nondebtor -- and others at the Dotcom Silo.

3 I'd like now, Your Honor, to take you through the
4 collapse. It happened very quickly, it was quite shocking,
5 but I think it's worthwhile to walk through the past couple
6 of weeks.

7 On November 2nd, documents leaked online showing
8 that the FTT Token position in the Alameda balance sheet was
9 substantially larger than most anticipated. So what does
10 that mean? It means the FTT Token is a token that is created
11 by FTX. It's an asset that it creates and it had a
12 substantially larger amount on its balance sheet than anyone
13 had anticipated.

14 A few days later, on November 6th, Caroline
15 Ellison, who was then the CEO of Alameda Research and is no
16 longer the CEO and no longer employed, tweets out information
17 with respect to the balance sheet of Alameda. In this tweet,
18 she indicates that there are approximately -- there are less
19 than ten -- that there are greater than \$10 billion of assets
20 that are not reflected on the balance sheet.

21 That same day, Your Honor, is when Changpeng Zhao -
22 - known in the business as "CZ" -- who is the Chief Executive
23 Officer of Binance -- and remember, Binance had been an
24 initial investor in FTX and also had been taken out entirely
25 from its equity investment. He tweets that, as part of

1 Binance's exist from FTX Equity last year, Binance received
2 roughly \$2.1 billion equivalent in cash and FTT, but:

3 "Due to recent revelations that have come to light,
4 we have decided to liquidate any remaining FTT on our books."

5 This, in effect, tells the market that CZ believes
6 that FTT is worth substantially less than prior -- than
7 previously anticipated and the value of FTT plummets in the
8 marketplace.

9 Two days later, on November 8th, in the face of a
10 run on the bank, FTX pauses all customer withdrawals and the
11 FTT price continues to fall by approximately 80 percent just
12 over a period of two days.

13 On the afternoon of November 8th, CZ tweeted that
14 FTX and Mr. Bankman-Fried had asked for help, that there was
15 a significant liquidity crunch at FTX generally, and to
16 protect users, that a non-binding LOI had been signed,
17 intending to fully acquire FTX.COM, and help cover the
18 liquidity crunch. He concludes by saying:

19 "We will be conducting a full DD" -- meaning due
20 diligence -- "in the coming days."

21 Just one day later, Binance tweets:

22 "As a result of corporate due diligence as well as
23 the latest news reports regarding mishandled customer funds
24 and alleged U.S. agency investigations, we have decided we
25 will not pursue the potential acquisition of FTX.COM."

1 Mr. Bankman-Fried is an active tweeter throughout
2 this period and indicates online that he is requesting
3 emergency funding to cover -- from investors to cover up a
4 shortfall of up to \$8 billion.

5 The next day, on the 10th, the Bahamas Securities
6 Commission freezes assets of FTX Digital Markets and appoints
7 a provisional liquidator.

8 Also on November 10th, Alameda Research announces
9 via tweet that it is winding down trading.

10 During the course of the day of November 10th and
11 into the early morning hours of November 11th, near constant
12 communication is going on with Mr. Bankman-Fried. He is
13 being interviewed by regulators in the Bahamas, he has hired
14 lawyers in the United States at the Paul Weiss law firm. He
15 has also engaged a professor at Stanford Law School, Mr.
16 David Mills, and is consulting with his father, who is also a
17 professor at Stanford Law School.

18 Throughout the day, consideration is being given by
19 Mr. Bankman-Fried as to whether or not he should relinquish
20 control over the entities. It is during that time that
21 Sullivan & Cromwell and Alvarez & Marsal have been engaged on
22 an emergency basis to consult on contingency planning. The
23 first reach-out to Mr. Ray and other potential candidates to
24 come in as CRO were made.

25 And at 4:30 a.m. on November 11th, Mr. Bankman-

1 Fried resigned and he signed documentation authorizing Mr.
2 Ray to take control of the businesses and having full power
3 of any officer at any of the entities, including, among other
4 things, to commence these Chapter 11 cases.

5 And then, starting on the morning of the -- the
6 traditional morning, rather than the 4:30 a.m. morning, of
7 November 11th, these Chapter 11 cases began to be filed,
8 after Mr. Ray had authorized them.

9 This graph, Your Honor, gives you a sense of what
10 the market was doing with respect to the FTT Token. This
11 gives you a sense of market cap over time and it shows the
12 complete collapse of the value of the FTT Token at the time
13 of the bankruptcy filing. At the peak, the market cap was
14 \$9.6 billion. Right now, the market cap is approximately 422
15 million.

16 So, Your Honor, that's where we are. We have
17 witnessed probably one of the most abrupt and difficult
18 collapses in the history of corporate America, the history of
19 corporate entities around the world.

20 When Mr. Bankman-Fried signed over control of these
21 businesses, he signed over control in a way that allowed
22 everyone, for the first time, to really see under the covers
23 and to recognize that the emperor had no clothes. These
24 businesses were not operated in a manner that was consistent
25 with any sort of traditional best practices. And since that

1 time, mister -- under Mr. Ray's direction, the advisors and
2 the remaining loyal employees at FTX have worked day and
3 night to identify the assets, to secure those assets wherever
4 they are located, to start applying the controls that are
5 necessary, and substantial progress has been made.

6 But we stand here today, Your Honor, with an
7 absence of information. We do not have the traditional
8 amount of information that a debtor would traditionally have,
9 but every day, we generate more and more.

10 So we do have, finally, before Your Honor a series
11 of traditional first-day motions. We are ready to request
12 that relief. And I will now hand over the dias to my
13 colleagues.

14 I would ask, Your Honor, though, before doing that,
15 if we could move the declarations that have been submitted in
16 support of the relief into evidence. There are two
17 declarations by Mr. Ray and two declarations by Mr. Mosley of
18 Alvarez & Marsal.

19 THE COURT: Okay. Is there any objection?

20 (No verbal response)

21 THE COURT: They're admitted without objection.

22 (Ray Declarations received in evidence)

23 (Mosley Declarations received in evidence)

24 MR. BROMLEY: Thank you very much, Your Honor.

25 THE COURT: Before you sit down --

1 MR. BROMLEY: Yes.

2 THE COURT: -- Mr. Bromley. How many employees
3 remain at the company? Do you know?

4 MR. BROMLEY: That's a good question. I can check,
5 Your Honor.

6 THE COURT: Okay.

7 MR. RAY: Your Honor, John Ray. Roughly 260.

8 MR. BROMLEY: Roughly 260, Your Honor.

9 THE COURT: Okay. Thank you. That's all. Thank
10 you.

11 MR. BROMLEY: Okay. Thank you very much, Your
12 Honor.

13 THE COURT: We can begin --

14 MR. BROMLEY: I'll hand over to --

15 THE COURT: -- the first-days.

16 MR. BROMLEY: -- my partner Brian Gluckstein.
17 Thank you very much.

18 THE COURT: Okay.

19 MR. GLUCKSTEIN: Good morning, Your Honor. Brian
20 Gluckstein --

21 UNIDENTIFIED: Good morning.

22 MR. GLUCKSTEIN: -- off Sullivan & Cromwell on
23 behalf of the debtors.

24 Your Honor, with the Court's indulgence, we will
25 largely take today's agenda as it appears -- today's matters

1 as they appear on the agenda, with a couple of exceptions.

2 But starting at the top, Your Honor, the first
3 motion that we have is Agenda Item 2, which was filed at
4 Docket Number 3, and it is our motion for joint
5 administration.

6 By this motion, the debtors request -- it's 102
7 debtors that have been filed, the cases be jointly
8 administered under the caption of FTX Trading Limited, to
9 allow for efficient administration, pursuant to Rule 1015(b).

10 The debtors are affiliates here. The 102 entities
11 fall into the 4 silos that Mr. Bromley just walked through,
12 all of which have common ownership and, prior to the filing
13 of these cases, were under the common control of Mr. Bankman-
14 Fried. The debtors believe joint administration of these
15 cases, of course, will permit the efficient and convenient
16 administration of these matters. Most, if not all, of the
17 notices, applications, hearings in these cases will affect
18 each and every one of the debtors. Absent joint
19 administration, it would result in numerous duplicative
20 filings.

21 The motion, Your Honor, of course only requests
22 administrative and non-substantive consolidation of the
23 debtors' estates; thus, joint administration will not
24 adversely affect the debtors, creditors, or other
25 stakeholders, and rather, constituents stand only to benefit

1 from joint administration through cost reductions and
2 efficiency gains.

3 Your Honor, the U.S. Trustee did provide --
4 reviewed the motion and provided minor comments that are
5 reflected in the revised form of order that was filed
6 overnight at Docket Number 80 -- 98, at Exhibit A.

7 And unless Your Honor has any questions, we request
8 entry of the joint administration order.

9 THE COURT: Okay. I have no questions.

10 Does anyone else wish to be heard?

11 (No verbal response)

12 THE COURT: No.

13 I'm satisfied the requested relief is appropriate
14 and I'll grant the relief.

15 MR. GLUCKSTEIN: Thank you, Your Honor.

16 The next item on the agenda, which is Item Number
17 3, is the debtors' motion for entry of an order modifying
18 certain creditor list requirements and authorizing the
19 service of creditors by email.

20 And I would suggest, Your Honor, if it pleases the
21 Court, that we consider Agenda Item 7 in connection with
22 Agenda Item 3. That is the debtors' motion authorizing
23 consolidated creditor matrix and to redact certain customer
24 information, as that relief is quite related.

25 THE COURT: That's fine. Thank you.

1 MR. GLUCKSTEIN: With respect to Agenda Item 3,
2 Your Honor, in that motion, the debtors are requesting that
3 we be permitted to file a consolidated list of top 50
4 creditors and to serve the debtors' customers by email.

5 With respect to the creditor list, Your Honor,
6 there have been 102 debtors filed in these cases, many of
7 which are expected to have very few creditors and many others
8 expected to have overlapping creditors.

9 In addition, as detailed in Mr. Ray's declaration,
10 the state of the debtors' historical books and records has
11 been substandard; thus, the exercise of compiling separate
12 creditor lists for each debtor would be particularly time
13 consuming and resource intensive at this point, as the
14 debtors' team works to protect assets and maximize value. We
15 submit the consolidated top 50 creditors list is appropriate
16 under the circumstances.

17 Furthermore, Your Honor, as reflected in the
18 revised form of order that was filed at Docket 98, Exhibit B,
19 the debtors have now agreed, at the request of the United
20 States Trustee, to file a consolidated top 50 creditors list
21 for each of the four main debtors and their subsidiaries --
22 the so-called "silos," for WRS, Alameda, Ventures, and Dotcom
23 -- separately, as applicable. So, to the extent that each of
24 those silos have individual creditors, we will file a
25 consolidated list, effectively, for each silo. And that's

1 reflected in the amended order that was filed late last
2 night.

3 THE COURT: I did see it. Thank you.

4 MR. GLUCKSTEIN: As noted in Paragraph 75 of Mr.
5 Ray's declaration, the debtors have struggled to gain access
6 to their customer data due to ongoing security risks in
7 accessing that information.

8 The debtors have now succeeded in finding a way to
9 safely view the necessary customer information to prepare and
10 file the consolidated top 50 list that was filed in redacted
11 form at Docket Number 51, despite the debtors still not
12 having full access to their customer data. We will now work
13 to promptly file those 4 creditor lists for each of the main
14 debtors, assuming the relief in this motion is granted today.
15 Presenting the information on a consolidated basis will
16 ensure the most relevant and reliable information can be
17 promptly disclosed.

18 With respect to the second part of Agenda 3, Your
19 Honor, the email service request, the motion seeks to modify
20 the service requirements, under Bankruptcy Rule 2002(g), to
21 permit email service to customers, unless they have
22 designated a mailing address or come forward and request hard
23 copy service.

24 The Court has significant discretion to modify the
25 general rule pursuant to Bankruptcy Rule 2002(m) and has

1 permitted email service in similar situations, including the
2 in Cred case involving customers of a cryptocurrency
3 platform.

4 The number of customers and former customers to be
5 noticed in these cases could certainly number in the
6 millions.

7 The debtors operate cryptocurrency platforms and
8 all of the debtors' customers interact online and through
9 email in the ordinary course. In fact, with respect to the
10 exchange customers, both FTX US and FTX.COM user agreements
11 expressly provide that notice or other communications will be
12 by email or through online applications.

13 Following discussions with the United States
14 Trustee, we have revised a form of order to make clear that
15 email service is permitted for customers unless hard copy
16 service by mail is requested. As we understand it, there is
17 no continuing concerns with respect to the relief from the
18 United States Trustee with respect to that motion.

19 The other piece of the relief, Your Honor, is set
20 forth in the motion docketed at Agenda Item Number 7.
21 Pursuant to that motion, the debtors are seeking authority to
22 file a single consolidated creditor matrix in lieu of
23 separate lists for each debtor to establish procedures for
24 providing notice of commencement and only on an interim
25 basis, Your Honor, at this time, redact confidential customer

1 and creditor information from public viewing of court
2 filings.

3 Your Honor, FTX's customers were the lifeblood of
4 the company. The debtors are very cognizant of customers'
5 concerns, particularly with respect to privacy, and intend to
6 try to protect customers and their interests as these cases
7 progress.

8 The revised form of order filed at Docket Number 98
9 at Exhibit E incorporates a number of comments from the
10 United States Trustee. As we understand it, the only open
11 issue is whether to redact on an interim basis the
12 confidential customer information in the scope that is
13 requested.

14 And Your Honor, the requested redactions include
15 that we would be permitted to redact, again, only on an
16 interim basis at this time, confidential names and addresses
17 of customers from all the court filings, addresses and email
18 addresses of individual non-customer creditors and
19 shareholders, and the names and addresses of all creditors
20 who are Citizens of the United Kingdom or European Union
21 member country, subject to local data privacy protections.

22 It's my understanding that the United States
23 Trustee has agreed, for purposes of this motion today, to the
24 redaction of information for customers residing in the
25 European Union covered by the GDPR is appropriate and is

1 willing to permit the redaction of individual customer
2 addresses, but not names.

3 We submit, Your Honor, that there is no basis at
4 this point in the case to treat some customers worse and to
5 immediately reveal their customer sensitive personal
6 information. These cases present very unusual circumstances,
7 as Mr. Bromley just walked through this morning; and, thus,
8 the complete redaction relief on an interim basis we submit
9 is appropriate here.

10 The debtors' customer records include the names and
11 email addresses of millions of individuals and entities.
12 There are two independent reasons, Your Honor, why redaction,
13 at least on an interim basis, is in the best interests of the
14 estates and their stakeholders:

15 First, Your Honor, the debtors' customer list,
16 numbering in the millions, is an asset of the estate that is
17 important to any potential reorganization or sale to maximize
18 value for all stakeholders. These cases are in their
19 infancy. Mr. Ray states in his declaration, in Paragraph 6,
20 as Mr. Bromley walked through this morning, that one of the
21 core objectives of these cases is asset protection and
22 recovery. Public release of the debtors' customer list and
23 identifying information would give the debtors' competitors a
24 free opportunity to poach the debtors' customers and would
25 interfere with the ability to sell assets and maximize value

1 as these cases progress. There is no counter-reason to
2 eliminate a potentially significant source of value on the
3 first hearing before Your Honor, in the very first week of
4 these cases.

5 Mr. Mosley states in his declaration, Paragraph 18,
6 that the debtors' customer list and related data is a
7 valuable asset. How valuable, Your Honor, is to be
8 determined. But the debtors and all of their stakeholders
9 have an interest in preserving that asset today.

10 The circumstances are similar to those considered
11 by the Court in Cred, but we would submit, respectfully, on a
12 much larger scale. We submit that, under the circumstances,
13 Section 107(b)(1) provides a basis consistent with the
14 Court's prior decision in the Cred case to permit the
15 redaction of the customer's personal information on an
16 interim basis.

17 Second, Your Honor, there are significant privacy
18 concerns raised by the disclosure of this customer and
19 protected creditor information. The debtors' customer base
20 is global. Those customers who reside in the United Kingdom
21 and the European Union country -- member countries have
22 additional data privacy protections under local law. But
23 privacy concerns are not limited to the customers in those
24 jurisdictions.

25 Customers in the cryptocurrency space are not the

1 typical creditors. Many customers invest in cryptocurrency,
2 in part, to not be publicly identified. This is a highly
3 sensitive issue for the customer community. And we've heard
4 from numerous customers in that community, both individuals
5 and entities, already in these cases, requesting that their
6 personal information be protected.

7 Many of the debtors' creditors are high net worth
8 individuals and entities with significant positions in
9 digital assets. As explained in Mr. Ray's declaration, the
10 debtors have been the targets of ongoing hacking and
11 unauthorized access to their systems. Identifying the
12 personal contact information of the debtors' customers,
13 particularly at this time, while emotions are running high,
14 could put them in the crosshairs of bad actors.

15 In addition, the immediate identification of the
16 debtors' customers with exposure to FTX could have the effect
17 of further destabilizing the broader crypto markets. Section
18 107(c) of the Bankruptcy Code provides that the Court may,
19 for cause, protect personal information from disclosure,
20 which would create a risk of injury to the individual's
21 property. And courts in this district have taken a strong
22 stance with respect to the protection of customer and
23 personally identifiable information.

24 In contrast, Your Honor, there is minimal benefit,
25 in our opinion, to requiring the immediate mass disclosure of

1 the customers -- the debtors' customer and individual
2 creditor personal information. The Court and the U.S.
3 Trustee have been and will continue to be provided the
4 unredacted information, as will any statutory committee
5 appointed in these cases; thus, we submit there is no
6 prejudice to any party-in-interest by granting this relief on
7 an interim basis. Creditors will be noticed through our
8 claims agent and receive all notices that they're entitled to
9 under the Bankruptcy Code and Rules.

10 Finally, Your Honor, on this issue, the debtors
11 have included language in the proposed order before Your
12 Honor today consistent with the language the Court suggested
13 in the Cred case, reserving rights and providing that, upon
14 request of any party-in-interest, the Court may revisit this
15 issue upon a showing of good cause to release some or all of
16 the redacted information.

17 Under the circumstances, Your Honor, we
18 respectfully request that the entirety of the relief
19 requested in this motion be granted in its entirety.

20 THE COURT: Okay. Thank you.

21 Let me hear from the U.S. Trustee.

22 MR. HACKMAN: Good morning, Your Honor. May I
23 please the Court, Ben Hackman for the U.S. Trustee.

24 We object to two aspects of the creditor matrix
25 motion:

1 First, in ordered Paragraph 4, we oppose the
2 redaction of the names and addresses of creditors and
3 customers who are not individuals. We see no basis to redact
4 that information for legal or business entities. There
5 should be transparency about who those entities are including
6 on the top 50 lists that are to be filed.

7 Second, we object to order Paragraph 7, in
8 particular ordered Paragraph Sub (c), which would authorize
9 the claims and noticing agent to withhold publication of
10 proofs of claim filed by the debtors' customers. We're not
11 entirely sure what that means.

12 We submit, respectfully, that proofs of claim
13 should not be withheld from being published on the claims
14 register wholesale. If Your Honor authorizes certain types of
15 other information to be redacted in other papers that are
16 filed with the Court such as individual customer addresses we
17 take no position on that same information being redacted in
18 filed proofs of claim, but there should not be redactions
19 beyond that in proofs of claim.

20 The claims register paints a picture and in a case
21 with over 100,000, potentially over a million, creditors that
22 picture may be substantial. Proofs of claim allow creditors
23 to tell their story. And we submit that those proofs of
24 claim should not be withheld or sealed wholesale.

25 In the Altera Healthcare decision Judge Walrath

1 wrote that "There is a strong presumption in favor of public
2 access to bankruptcy proceedings and records. During a
3 Chapter 11 reorganization a debtor's affairs are an open
4 book, and the debtor operates in a fishbowl."

5 The Supreme Court has written that "It is clear
6 that the Courts of this country recognize a general right to
7 inspect and copy public records and documents including
8 judicial records and documents." That is the Nixon v. Warner
9 Communications case.

10 The Third Circuit has, likewise, recognized that
11 there is a strong presumption -- I apologize, the District of
12 Delaware recognizes "There is a strong presumption in favor
13 of public access to judicial records and papers which has
14 statutory common law and first amendment under-pinnings."
15 That is the Continental Airlines decision, 150 B.R. at 334,
16 Pin Site 341.

17 I believe Mr. Bromley described this case as one
18 of the most abrupt collapses in the history of corporate
19 America. And in counsel's presentation earlier they
20 indicated that one of Mr. Ray's five core objectives in this
21 case is transparency and investigation. We submit that over
22 broad redactions do not serve transparency in these cases.

23 We're also concerned that presently the top 50
24 list contains no information identifying who the creditors
25 are. And if our office appoints a creditors committee we

1 will need to identify who we are appointing to that committee
2 or those committees. We need to be able to do that with
3 transparency. Any redaction or sealing relief should not
4 prevent us from filing those notices of appointment.

5 We would also point out, Your Honor, that we do
6 object to the names of individuals being redacted. We take
7 no position about individual addresses being redacted, but as
8 to their names we respectfully submit they should not
9 be redacted unless they are citizens, members of the European
10 Union and are covered by the GDPR.

11 Unless Your Honor has any questions that's all I
12 have.

13 THE COURT: Thank you, Mr. Hackman.

14 MR. HACKMAN: Thank you, Your Honor.

15 THE COURT: Mr. Glueckstein, can you address the
16 issue about the proofs of claim.

17 MR. GLEUCKSTEIN: I can, Your Honor. We have
18 requested, in the motion, at this point, that the idea of all
19 of this is to ensure that creditors -- customers are not
20 having their information involuntarily disclosed. No bar
21 date has been set yet in this case. It will be at some point
22 and creditors will need to file claims in order to preserve
23 those claims.

24 So with the disclosure issue at this point there
25 are some folks, I think there have been a couple of people

1 who have voluntarily come forward and have started to put
2 claims on the docket; that is their prerogative. From the --
3 that is self-identification. But what we are trying to
4 protect, again, Your Honor, just for this interim period, is
5 to ensure that nobody's personal information is being
6 involuntarily disclosed. And, two, Your Honor, that the
7 debtors' customer list is not being compromised in a
8 significant way before we're able to marshal that asset.
9 Both of those issues are in play.

10 I think the proof of claim issue can be avoided
11 for the interim period because we haven't set a bar date. So
12 I think at this point we could table that portion of the
13 relief if somebody has voluntarily filed a proof of claim on
14 a docket. We haven't yet sought to take any action with
15 respect to that claim, its very few.

16 The issue that is raised by counsel with respect
17 to the creditor's committee, I think, is a good example of
18 how we see this playing out, Your Honor. We don't believe
19 the top 50 list should be unredacted including names, the
20 names of customers, once you have customer names it's not
21 very difficult to solicit those customers, find information
22 about them and know that they are customers of FTX.

23 The United States Trustees Office, of course, is
24 presumably going to form a creditors committee and those
25 members of that committee will have come forward voluntarily

1 to serve on that committee, and presumably are comfortable
2 with the requirements of service that are necessary including
3 the disclosure of their names and their participation in this
4 process. That will be a handful of customers who agree to
5 serve on a creditors committee. That is very different and,
6 again, that is voluntary. That is very different than the
7 millions of customers that are sitting in a data base that
8 need to be noticed in this case and will appear on the
9 debtors' creditor matrix. That is a very different
10 situation.

11 Again, Your Honor, there is no need, certainly at
12 this time, in the first month of the case, we submit, for the
13 world to have all of those names and addresses,
14 understanding, Your Honor, for most of our customers. We
15 don't have physical addresses. These are folks who conducted
16 business with the debtors entirely online through
17 applications. For many of these customers we have email
18 addresses or other contact information, identifiable
19 information, but not necessarily brick and mortar mailing
20 addresses.

21 So the -- I think many people would view email
22 addresses and the ability to contact people as some of the
23 most valuable customer information. So I don't think --
24 there is absolutely a balance. We are very cognizant of the
25 need for transparency in these cases. The debtors intend to

1 provide that transparency to its stakeholders including the
2 customer base.

3 What is being asked here today, Your Honor, is
4 simply to ensure for now, on an interim basis, that the
5 customer information in its entirety, individuals and
6 entities because entities many times are individuals behind
7 those entities in this space, those are all valuable
8 customers, and the identifiable information of customers,
9 including email addresses, be redacted from all filings. I
10 think for purposes of the interim order we could remove the
11 proof of claim issue.

12 THE COURT: All right. Anyone else wish to be
13 heard? I got some other folks standing up. Come forward.

14 MR. PIERCE: Good afternoon, Your Honor. This is
15 Matthew Kelsey of Alston & Bird. We represent an ad hoc
16 group of account holders.

17 The relief requested in the motion, which we
18 support, you know, by implication effects our group in the
19 sense of 2019 requirements, Your Honor. I think both
20 confidentiality and privacy are implicated here.

21 Our group was formed yesterday and we have not
22 filed a 2019 yet, but we were hoping for some guidance from
23 the Court in connection with your resolution as to the
24 ability to redact names and addresses particularly of
25 individual holders, especially given what we have heard

1 today; the risk of cyber-attack and the lack of controls, at
2 least, that was handed to the current management now.

3 I have no doubt that they are working hard to put
4 those controls into place, but, at least, on an interim basis
5 redacting this sort of information on a 2019 seems
6 appropriate.

7 THE COURT: Okay.

8 MR. KELSEY: Thank you, Your Honor.

9 THE COURT: Thank you.

10 MR. ROESCHENTHALER: Good afternoon, Your Honor.

11 Mike Roeschenthaler from Whiteford Taylor & Preston. I am
12 here with my colleague, Rich Riley. We too are here on
13 behalf of a significant number of customers, some of which,
14 based on what's been disclosed so far, will likely be on that
15 consolidated 50 list of unsecured creditors.

16 We certainly join in the debtors' motion. This is
17 a case filed crypto currency. So, obviously, confidentiality
18 is, candidly, part of the benefit of the bar date for those
19 that participated in this space. We think the disclosures
20 being sought by the Office of the United States Trustee could
21 actually disincentivize participation in the case. And by
22 extension impairs the ability of creditors to recover from
23 this case which, of course, would be contrary to the best
24 interest of the creditors. So we join in the debtors'
25 motion.

1 Thank you.

2 THE COURT: Anyone else?

3 (No verbal response)

4 THE COURT: Well this certainly is a pull and tug
5 here between the right to privacy and the right to, everybody
6 in this case, to have transparency. As I did in the Cred,
7 Inc., case -- well let's deal first with the modified
8 creditors list of 50. I think the only issue there from the
9 U.S. Trustee is the disclosure of the names. Is that right,
10 Mr. Hackman?

11 MR. HACKMAN: We would submit, Your Honor, that
12 for institutional entities names and addresses should not be
13 redacted for any individuals. Only their addresses should be
14 redacted.

15 THE COURT: All right. Here is what I am going to
16 do on that: I am going to, on an interim basis, enter the
17 order as the debtors have requested, but it does raise a
18 factual issue and there may be a factual basis for why names
19 need to be disclosed. So we will reserve that for the final
20 hearing and if there is still an objection by the U.S.
21 Trustee at that time, once they have seen the list and know
22 who these parties are, if they think there should be
23 disclosure of those entities we will revisit it at that time.
24 On an interim basis I will enter the order allowing the
25 redaction of the names and address of the top 50 list.

1 The same goes for the consolidated creditor list.
2 It -- again, I need to make sure I am protecting the interest
3 of these individuals. This is a space where it's all done
4 over the internet and everyone in this room knows the
5 internet is wrought with potential dangers; hacking happens
6 all the time, people's individual accounts get hacked. I
7 think it's important that we protect those individuals who
8 are seeking -- who want to participate in this case, want to
9 file their proofs of claim, but also want to protect their
10 assets.

11 So, again, on an interim basis I will grant the
12 release requested by the debtor excluding the proof of claim.
13 We will take that out of the form of order. We will deal
14 with that once we set a bar date because, as debtors' counsel
15 pointed out, if someone wants to voluntarily disclose who
16 they are that's perfectly okay, they can do that.

17 On the -- certainly, Mr. Hackman, on the -- when
18 you come to the time of appointing a statutory committee they
19 have to be disclosed. I would assume that anybody who is
20 coming forward who wants to serve on the committee is
21 voluntarily agreeing to disclose their names. I would not,
22 under any circumstances, allow a committee member to withhold
23 their information. They have to disclose.

24 Again, on an interim basis we can revisit this on
25 the final. Again, if there is some evidentiary basis for why

1 you think I should not allow this relief, Mr. Hackman, you
2 can come back and we will deal with it at the final hearing.

3 MR. HACKMAN: Thank you, Your Honor.

4 THE COURT: Okay. So with that, based on my
5 comments, I will approve both the motion regarding the
6 modification of the creditors list and the consolidated
7 creditors list, Items 3 and 7.

8 UNIDENTIFIED SPEAKER: Thank you very much, Your
9 Honor.

10 Continuing to move through the agenda, the next
11 item on the list -- on the agenda is Agenda Item 4 which was
12 the debtors' emergency motion to transfer the Chapter 15 case
13 of FTX Digital Markets to this Court. As filed on the docket
14 yesterday and as Mr. Bromley touched on in his opening
15 remarks we have reached an agreed form of order with counsel
16 for the joint provisional liquidators to, in fact, permit and
17 have the Chapter 15 case transferred to this Court with the
18 rights of all parties reserved. So absent any questions from
19 the Court we would ask that that be entered.

20 THE COURT: I have no questions. Do the
21 liquidators wish to be heard on that?

22 MR. SHORE: Your Honor, Chris Shore from White &
23 Case on behalf of the three JPL's.

24 We have nothing to address. I will note, because
25 I am going to stand on one motion in a bit, that we're going

1 to need a recognition hearing setting, but we can discuss
2 that we're going to need a recognition hearing setting, but
3 we can discuss that in the context of the setting the second
4 days.

5 THE COURT: We will get to that. I will enter
6 that order. Thank you.

7 Has it been uploaded, the final on that one?

8 UNIDENTIFIED SPEAKER: Yes, Your Honor, it has.

9 THE COURT: We can go ahead and enter that one
10 right away.

11 UNIDENTIFIED SPEAKER: Thank you, Your Honor.

12 That brings us to the next item on the agenda
13 which is Agenda Item 5. This is a motion of the debtors for
14 entry of an order filed -- a motion filed at Docket No. 25
15 with respect to the automatic stay.

16 By this motion, Your Honor, the debtors are
17 requesting entry of an order enforcing and restating the
18 worldwide stay. As a result of the debtors' international
19 business operations, Your Honor, the debtors have many
20 foreign creditors, contract counterparties and other parties
21 in interest in countries who are not and may not be as well-
22 versed in the protections and restrictions of the bankruptcy
23 code. These creditors and parties in interest may be
24 unfamiliar with the operation of the stay and the other
25 provisions, operative provisions, of the bankruptcy code.

1 Upon commencement of the cases non-US parties may,
2 in fact, try to take action to violate the protections
3 afforded to the debtors under the code and we have started to
4 see some notices in that regard. We are responding to those,
5 but accordingly the debtors submit that such circumstances
6 warrant an order apprising all parties of such protections as
7 set forth in the code.

8 Importantly, Your Honor, the debtors are not
9 seeking to expand the protections provided by the code,
10 rather only seeking an order to be able to notify parties in
11 a standalone order of this Court who are unfamiliar with the
12 code of the scope and effect of Section 362 and related
13 provisions including 365(e)(1) and 541.

14 Your Honor, the debtors did receive some comments
15 from the United States Trustee and other parties on the
16 proposed form of order that we incorporated in the form filed
17 at Docket No. 98, Exhibit C. We would ask that under the
18 circumstances Your Honor enter that order unless the Court
19 has any questions.

20 THE COURT: No, I don't have any questions.

21 Mr. Shore.

22 MR. SHORE: Thank you, again, Your Honor. Chris
23 Shore from White & Case on behalf of the three JPL's, Brian
24 Simms, Peter Greaves, and Kevin Cambridge, who have all been
25 appointed as joint provisional liquidators of FTX Digital

1 Markets, a Bohemian Company in a Bohemian wind-down
2 proceeding.

3 I will note that some of what Mr. Bromley said
4 when he put the charts up is not in the evidentiary record.

5 THE COURT: I understand.

6 MR. SHORE: Yeah, and we have some disagreements
7 which we will work out over time as to how we fit-in and what
8 portion of customers sat where within the organization. But
9 for now, as noted, we had started a Chapter 15 in New York.
10 We have consented to having it come down here. And we will
11 need to get a scheduling date which we can do at the end of
12 the hearing.

13 For now the 15 isn't being called, it's just the
14 11. We are only appearing, we are not seeking any provision
15 or relief. We are just participating to make sure that what
16 is happening today isn't impinging upon any relief that the
17 JPL's might need pending recognition.

18 We have been working with the debtors to begin the
19 process of coordinating our efforts on information flow,
20 asset containment, and ultimately judicial coordination. We
21 worked out everything except for the automatic stay. We are
22 not objecting to the relief, we're actually asking for a
23 comfort clarification on a comfort order.

24 There is a tension that is going on right now
25 between the automatic stay. The automatic stay is what the

1 automatic stay is, but also Mr. Ray's guiding principles that
2 went up. There is a lot that needs to get done in between
3 now and a recognition hearing, and now and second day
4 hearings with respect to information gathering, asset
5 containment, developing information, sharing information,
6 coordinating information.

7 You heard Mr. Bromley say information is property.
8 It can't be that the JPL's seeking to access information of
9 their debtor is a stay violation in a Chapter 11 case. We
10 are going to try to work this out. We were able to work out
11 everything else. We weren't able to put language in the
12 order with respect to the automatic stay. We are going to
13 continue to work with them.

14 My caveat on provisional relief is we can't get to
15 a place where we can develop and information flow between the
16 .com silo and the JPL's. We may have to come back and get
17 provisional relief because from the perspective of the JPL's
18 order number one in this case is to make sure that all assets
19 are protected and all information is protected. We can
20 figure out later what that information means or where those
21 assets get mapped, but we can't have assets being dissipated,
22 nor can we have information sitting there unassessed because
23 we can't get out of our own ways to come up with a protocol
24 to share information.

25 So, again, we don't object to the order being

1 entered, but we're going to have to work out some arrangement
2 between ourselves; otherwise, we may have to come back and
3 address it with Your Honor.

4 THE COURT: Mr. Glueckstein.

5 MR. GLUECKSTEIN: Thank you, Your Honor. I don't
6 think there is -- I don't have any agreement with what Mr.
7 Shore said, but --

8 THE COURT: You mean disagreement. You said I
9 don't have any agreement with what --

10 MR. GLUECKSTEIN: I'm sorry, a disagreement. We
11 might have disagreements later. You know, sometimes we have
12 disagreements, but I like working with Mr. Shore.

13 I think that the issue here -- everything he said
14 goes both ways, right. They are going to be looking for
15 information from us, we are going to be looking for
16 information from them. We are actually looking forward to
17 the possibility of coming up with a protocol that makes
18 sense. It is something that we suggested to prior counsel
19 for the joint liquidators. It didn't get traction last week.
20 We are glad that Mr. Shore and his colleagues are now on the
21 scene and we hope to make some progress in that regard.

22 With respect to this motion Paragraph 7, as
23 revised, with input from other parties makes very clear that
24 this order is simply declarative and intended to simply state
25 what is in the statute and all parties' rights are reserved.

1 So I think with respect to the relief today, Your Honor, I
2 didn't hear any objection from Mr. Shore on this order being
3 entered. We would ask that this order be entered and we look
4 forward to working with them on the issues as related to the
5 Bahamas and the Chapter 15 v the Chapter 11.

6 THE COURT: Okay. Yeah, I didn't hear Mr. Shore
7 saying he actually said he doesn't object to entry of the
8 order and I will enter the order. It obviously is a comfort
9 order that gives the Debtors an opportunity to send something
10 under the signature of a judge to parties outside the items
11 who might not understand the automatic stay.

12 But the automatic stay is what the automatic stay
13 is, and if someone violates it, they do so at their own risk.

14 MR. GLUECKSTEIN: Thank you very much, Your Honor.

15 THE COURT: Okay.

16 MR. GLUECKSTEIN: The next item on the agenda,
17 Item 6 is the Debtors' application, which was filed at Docket
18 28 to retain Kroll Restructuring Administration LLC. The
19 Debtors, by this motion, are seeking to employ and retain
20 Kroll as claims and noticing agent, effective *nunc pro tunc*,
21 to the petition date, pursuant to 28 U.S.C. 156(c).

22 Appended to the motion as Exhibit B was the
23 declaration of Benjamin J. Steele, the managing director at
24 Kroll. The Debtors also filed a supplemental declaration for
25 Mr. Steele at Docket 96, which includes additional

1 disclosures that were requested by the United States Trustee.
2 Mr. Steele is on the Zoom hearing today.

3 The Debtors, Your Honor, anticipate, as we've been
4 discussing this morning, and now this afternoon, that there
5 will be millions of creditors in these Chapter 11 cases. In
6 light of the number of anticipated claimants and the
7 complexity of the Debtors' businesses, the Debtors submit
8 that appointment of a claims and noticing agent, required by
9 Local Rule 2002(1)(f) and, otherwise, is in the best
10 interests of both, the Debtors' estates and their creditors.

11 By appointing Kroll, the distribution of notices
12 and processing of claims will be expedite and the Office of
13 the Clerk and Bankruptcy Court will be relieved of an
14 administrative burden, of what otherwise could be an
15 overwhelming number of claims and contacts. In selecting
16 Kroll, Your Honor, the debtors obtained and reviewed
17 proposals from two other court-approved claims and noticing
18 agents, to ensure selection was through a competitive
19 process. The Debtors believe that Kroll is qualified due to
20 its significant experience in both, legal and administrative
21 aspects of large and complex Chapter 11 cases.

22 The Debtors further submit, Your Honor, that *nunc*
23 *pro tunc* relief is appropriate because Kroll has provided and
24 continues to provide valuable services to the Debtors'
25 estates in this interim period.

1 The Debtors did receive informal comments on
2 Kroll's retention application from the United States Trustee,
3 which the Debtors addressed in the revised order that was
4 filed at Docket 98, Exhibit D, and the supplemental
5 declaration of Mr. Steele.

6 Unless Your Honor has any questions, we would
7 request, respectfully, enter of that order.

8 THE COURT: Does anyone else wish to be heard?

9 (No verbal response)

10 THE COURT: Okay. I'm satisfied the retention is
11 appropriate and I will enter the order.

12 MR. GLUECKSTEIN: Thank you very much, Your Honor.

13 I think we're going to go, with Your Honor's
14 indulgence, slightly out of order, and would take, next, the
15 cash management, which is at Item 8 on the agenda and I would
16 turn it over to -- to Mr. Dietderich to present that motion.

17 THE COURT: We've been going about an hour and a
18 half. Why don't we take a 10-minute recess and allow people
19 a little break and we'll come back and we'll take up that
20 next order.

21 MR. GLUECKSTEIN: Sounds great. Thank you, Your
22 Honor.

23 (Recess taken at 12:30 p.m.)

24 (Proceedings resumed at 12:47 p.m.)

25 THE COURT: I heard we had some entertainment

1 while we were on break, music playing on the system.

2 All right. You may proceed.

3 MR. DIETDERICH: May I please the Court? Andy
4 Dietderich, Sullivan & Cromwell.

5 Your Honor, I present the cash management motion
6 today. We have, I think, a consensual motion. We have one
7 objection on the record. I think it's been rendered moot by
8 language that we put into the order last night and maybe when
9 I through, we can confirm that on the record.

10 Your Honor, the cash management motion takes the
11 Debtors' current accounts -- there are 216 bank accounts, 36
12 institutions, 19 countries -- and creates on top of those, a
13 new set of five pooling account, that are compliant with the
14 U.S. Trustee Guidelines. I put up on the screen for Your
15 Honor, the snapshot of liquidity that we have in all four
16 silos as of today. Your Honor, there was a revised
17 declaration of Ed Mosley we filed overnight, which shows the
18 additional cash the Debtors have been able to verify. This
19 process will continue. It's likely we find additional cash,
20 additional marketable securities and other liquid assets, so
21 we hope our cash situation does approve or improve.

22 And what you have in front of you are the cash
23 projections we're using for the five-week period that was our
24 initial estimation for an interim period of relief. And
25 you'll see, Your Honor, that at the end of the period, each

1 of the silos has positive cash.

2 Now, Your Honor, it's very important that this is
3 unencumbered or unrestricted cash. So, within the Debtors'
4 system, there's restricted cash which consists of cash held
5 in custodial accounts, FOB accounts, cash necessary to keep
6 the regulated entities for regulatory capital purposes; all
7 of that is excluded from these calculations, so this only
8 shows unencumbered cash.

9 Your Honor, we do have a revised form of order
10 that we put in last night. I think that's been reviewed by
11 all the applicable parties. And then I have two comments
12 that came in this morning that we resolved. One is from the
13 SEC, Securities and Exchange Commission, which has some
14 additional reservation-of-rights language and the second is a
15 comment from the U.S. Trustee, who has asked us to reduce the
16 amount we can move from the master pooling account into the
17 silo pooling accounts from the \$25 million initially
18 requested in the motion to \$5 million. And, Your Honor, the
19 Debtors are fine with that, given the robust liquidity
20 picture in each of the silos. So, with that, Your Honor, I'd
21 ask for entry of the order.

22 THE COURT: Okay. Does anyone else wish to be
23 heard?

24 MR. COUSINS: Good afternoon, Your Honor. Scott
25 Cousins, on behalf of Evolve Bank, but we're close. We did

1 file an objection this morning.

2 When we first saw the motion, we were concerned
3 about, with respect to Evolve Bank, these FBO accounts, which
4 according to our agreement with WRS, our property, our
5 property of the estate, the Debtors have made some additional
6 language. We're not quite there. We saw the final last
7 night.

8 Footnote 3 says the FBO accounts, these are the
9 accounts that are of concern to Evolve Bank, are frozen, but
10 paragraph 11 allows the existing bank accounts to be closed.
11 And Exhibit C of the motion includes the Evolve FBO accounts.

12 So, we've given the Debtors language that would
13 say that the identified FBO accounts, 0066, 0078, and 0082,
14 shall remain frozen and shall not be closed or accessed until
15 we can determine, you know, a final order of the Court,
16 presumably the next cash management order, that determines if
17 it's our property.

18 So, we want to avoid a situation where these
19 accounts, which belong to the bank. It's in fiat currency.
20 It's used for credit cards of our customer. So, in other
21 words, when a customer uses a credit card, it's fiat
22 currency. It's not, in our view, property of the estate.

23 So, we've asked to punt it, but we still need that
24 reservation of rights so that the bank accounts aren't closed
25 since we believe these are not property of the estate.

1 THE COURT: Okay. I think we have somebody else
2 who wants to speak, as well. Why don't we get both the --
3 yeah, you are?

4 MR. LOOMIS: Thank you, Your Honor.

5 THE COURT: Yeah, go ahead. And I'll have you
6 address both.

7 MR. LOOMIS: Your Honor, Gaston Loomis from
8 McElroy Deutsch, here, on behalf of Philadelphia Indemnity
9 Insurance Company. I'm joined today by co-counsel to
10 Philadelphia Indemnity, Scott Williams, who is appearing
11 remotely. He's based in the law firm of Manier & Herod,
12 based in Nashville, Tennessee.

13 My client conveyed a limited objection to the
14 Debtors about the cash management motion, which I'm glad to
15 announce has been resolved, at least for purposes of this
16 interim order. As background, Philadelphia is a surety that
17 issued 7 million in money transmittal and other surety bonds
18 connected to various state licenses the Debtors possessed
19 that allowed to operate custodial (indiscernible) to flow
20 into other accounts in those states.

21 Philadelphia had concerns about the motion as it
22 related to funds in those accounts, as well as the Debtors'
23 management of those accounts in compliance with trust fund
24 and other state laws. Philadelphia reached out to the
25 Debtors to address these concerns and, again, I'm pleased to

1 say the parties have reached an agreement on language to
2 include in the interim order, that is addressed at Footnote
3, that counsel just talked about, Your Honor.

4 Again, I wish to thank the Debtors for working
5 with my client at this point on this issue, especially given
6 all the other matters we're having to deal with at this time
7 in this case.

8 THE COURT: All right. Thank you, Mr. Loomis.

9 Mr. Dietderich, do you want to address Mr.
10 Cousins' proposed additional change, I guess.

11 MR. DIETDERICH: Yes. Thank you, Your Honor.

12 We can confirm on the record we will not close any
13 accounts at Evolve Bank during the interim period.

14 THE COURT: All right. Thank you. Does that
15 satisfy you, Mr. Cousins, or do you need something in the
16 order?

17 MR. COUSINS: I would like something -- I
18 apologize -- Scott Cousins, on behalf of Evolve Bank. I
19 would like something in the order, Your Honor.

20 MR. DIETDERICH: Your Honor, we have 36 banks and
21 216 bank accounts. I think by negative implication, that
22 might just concern others. I'm just a little bit loathe to
23 put specific bank names in the order.

24 We're happy to have Alvarez & Marsal look at the
25 particular account numbers that he referenced and confirm in

1 writing that those accounts are FBO accounts, as specified in
2 the order.

3 MR. COUSINS: With that, Your Honor, maybe we'll
4 see you at the final hearing, but I think that representation
5 works.

6 THE COURT: All right. Yeah, I think the
7 representation on the record is sufficient to address the
8 issues.

9 MR. COUSINS: Thank you, Your Honor.

10 MR. DIETDERICH: Thank you, Your Honor.

11 THE COURT: So, for the record, I will enter the
12 order, if I didn't say that. Thank you.

13 MS. KRANZLEY: Good afternoon, Your Honor. Alexa
14 Kranzley from Sullivan & Cromwell, proposed counsel for the
15 Debtors. Your Honor, I'll take the remaining items on the
16 agenda.

17 Going back to Item 8, which is the vendor motion
18 at Docket 46, Your Honor, the Debtors are seeking authority
19 to pay prepetition claims of certain critical domestic
20 vendors, foreign vendors, 503(b)(9) claimants, and potential
21 lien claimants. Notwithstanding that the Debtors and their
22 advisors do not currently have full books and records, the
23 Debtors and their advisors have identified certain vendors
24 who are critical to their business.

25 Given the nature of the business, most of these

1 vendors relate to data systems, data storage, and security
2 measures. As such, the Debtors' businesses do not require a
3 material amount of physical goods or shipments and primarily
4 rely on these services. Additionally, as Mr. Bromley
5 discussed earlier, the debtors' businesses are international
6 and involve foreign vendors all over the world.

7 Your Honor, we had requested in the motion,
8 authorization to pay critical vendors up to an interim cap of
9 9.3 million, to pay foreign vendors with no cap, to pay
10 503(b) (9) claimants with no cap, and to pay potential lien
11 claimants up to a cap of 125,000.

12 Your Honor, further, to discussions with the U.S.
13 Trustee, the Debtors have agreed to make a number of
14 revisions as follows: first, the Debtors will reduce the
15 critical interim cap from 9.3 million to 8.5 million; second,
16 to include a foreign vendor interim cap of 1 million; third,
17 to include an interim cap of 200,000 for 503(b) (9) claimants;
18 and, fourth, to remain and leave the cap for lien claimants
19 at 125,000.

20 With those changes, Your Honor, we understand the
21 U.S. Trustee's issues with respect to this motion and order
22 are resolved and unless Your Honor has any questions, we
23 request that the relief be entered.

24 THE COURT: Okay. I don't have any questions.

25 Mr. Hackman?

1 MR. HACKMAN: Yes, Your Honor. I rise to confirm
2 that our comments on this motion resolved.

3 THE COURT: Okay. Thank you.

4 With that, I'm satisfied the requested relief is
5 appropriate and I will enter the order.

6 MS. KRANZLEY: Thank you, Your Honor. This is one
7 order where we did not file last evening, so we'll submit a
8 new order.

9 THE COURT: Okay. Thank you.

10 MS. KRANZLEY: Item 10 and the agenda and Docket
11 49 is the equity NOL motion. By this motion, the Debtors are
12 requesting entry of an interim order to establish two things.
13 First, notice an objection procedures related to certain
14 transfers and declarations of worthlessness for federal or
15 state tax purposes, with respect to common or preferred or
16 equity interests in seven Debtors for U.S. taxpayers. And,
17 second, to direct that any purchased, sale, transfer, or
18 declaration of worthlessness, in violation of the procedures
19 to be null and void.

20 Your Honor, we did serve this motion on all the
21 shareholders of these seven Debtors based on the contact
22 information available to the Debtors. Similar to the other
23 motions we've discussed with the U.S. Trustee, there were
24 limited comments made to the revised form of order filed last
25 evening at Docket 98, Exhibit (indiscernible).

1 If Your Honor doesn't have any questions, we
2 request entry of this order.

3 THE COURT: Mr. Hackman, anything from the U.S.
4 Trustee?

5 MR. HACKMAN: Yeah, this is Ben Hackman for the
6 U.S. Trustee. Our comments are resolved on this motion, Your
7 Honor. The change we've requested was increasing the number
8 of days from 14 to 30 that current, substantial shareholders
9 are required to make their initial disclosures.

10 THE COURT: All right. Thank you.

11 I don't have any questions. I'm satisfied the
12 requested relief is appropriate. I'll enter the order.

13 MS. KRANZLEY: Thank you, Your Honor.

14 Last item on the agenda is Item 11 and Docket 50,
15 the employee and wages motion. Your Honor, we're seeking
16 limited relief with respect to the dedicated employees and
17 the newly appointed officers, working under the direction of
18 the newly appointed chief executive officer. The Debtors are
19 not seeking approval of any severance, retention, incentive,
20 or bonus payments for any employees or insiders. The Debtors
21 are also not seeking to make any payments to Mr. Sam Bankman-
22 Fried, Mr. Gary Wang, Mr. Nishad Singh, or Ms. Caroline
23 Ellison.

24 The Debtors' limited relief includes payment of
25 prepetition wages, salary, and compensation and benefits, and

1 continuing the compensation and benefit programs in the
2 ordinary course and making any changes, as necessary.

3 Your Honor, we've likewise, worked with the U.S.
4 Trustee and resolved all their objections. There were a
5 number of changes that were reflected in the revised form of
6 order filed last evening. First, the Debtors have agreed
7 that the relief in this motion will be sought on an interim
8 basis and then on a final basis at the second day hearing.

9 In paragraph 2 of the proposed form of order, we
10 would clarify that the Debtors are only seeking authority to
11 pay amounts above the 15,000 statutory cap by no more than
12 40,000 in the aggregate. We've incorporated a new paragraph
13 3 that the new, non-employee director compensation is
14 approved on an interim basis, and, finally, we've agreed with
15 the U.S. Trustee that with respect to the advisory firm
16 obligations to Owl Hill and RLKS Executive Solutions, that we
17 have agreed to remove the request from this motion and will
18 seek approval of these obligations by separate motion.

19 THE COURT: Okay. Thank you.

20 MS. KRANZLEY: Your Honor, with that, we'd ask you
21 to enter the proposed order.

22 THE COURT: Mr. Hackman, anything?

23 MR. HACKMAN: I'd confirm that our informal
24 comments are resolved, Your Honor. Thank you.

25 THE COURT: Okay. Thank you.

1 All right. Again, I'm satisfied the requested
2 relief is appropriate and I will enter the order.

3 MS. KRANZLEY: Thank you very much, Your Honor. I
4 believe that that concludes the agenda, so I think the only
5 item is a housekeeping one, scheduling the second day
6 hearing.

7 THE COURT: Okay.

8 MS. KRANZLEY: We've been in touch with your
9 chambers and understand that Your Honor is available on
10 January 11th at 10:00 a.m.

11 THE COURT: Well, if Mr. Cavello says I'm
12 available, I guess I'm available. So, January 11th, it is.

13 MR. LANDIS: Your Honor, Adam Landis from Landis
14 Rath & Cobb, I can confirm that you are available.

15 THE COURT: Okay. All right.

16 I think we have another housekeeping matter. We
17 need to schedule the recognition hearing or the U.S. Trustee
18 has an issue?

19 MS. SARKESSIAN: Your Honor, Juliet Sarkessian, on
20 behalf of the U.S. Trustee.

21 I have some -- I'm sorry, let me take this off --
22 I'll say that again in case it wasn't picked up. Juliet
23 Sarkessian, on behalf of the U.S. Trustee.

24 Your Honor, I'm worried about waiting until
25 January 11th, was it, to have the second day hearing. That

1 means that the sealing, all the items that are sealed will
2 continue to be sealed to that -- through that date. So, Your
3 Honor, I would ask that there be, if possible, a hearing date
4 set, you know, maybe in the week of December the 12th to
5 address, at least, that and, you know, potentially other
6 final orders on some of the other first day -- actually, I
7 don't really see why we shouldn't have the final order and
8 all the rest of the first day relief in December, because the
9 interim order stays in place until we have that final
10 hearing.

11 THE COURT: Mr. Bromley?

12 MR. BROMLEY: Your Honor, James Bromley of
13 Sullivan & Cromwell. Just to be clear, Ms. Sarkessian, are
14 you suggesting only with respect to the sealing we go forward
15 on an earlier date or are you suggesting all the second day?

16 MS. SARKESSIAN: All of it.

17 MR. BROMLEY: Because I think we can accommodate
18 with moving -- if we could find a date, perhaps, in the
19 middle of December, just to deal with the sealing and then on
20 the rest of the second day, we could deal with January 11th?

21 MS. SARKESSIAN: Let me -- if I could have just a
22 minute to speak with my colleague?

23 THE COURT: All right. That's fine.

24 And in the meantime, Mr. Shore, you wanted to
25 schedule a recognition hearing? Have you conferred with the

1 other side about potential dates on that one?

2 MR. SHORE: No, I thought we were talking about
3 everything in the middle of December, but it just sounded
4 like -- we're fine in the mid-December. I have a conflict,
5 14th, 15th, 16th in front of Judge Owens and Judge Goldblatt,
6 but other than that, we're kind of available at Your Honor's
7 convenience.

8 THE COURT: Mr. Bromley, do you have any --

9 MR. BROMLEY: I apologize to Mr. Shore. I think
10 we were talking about numbers and not months. I thought we
11 were talking about January.

12 MR. SHORE: No, for recognition.

13 MR. BROMLEY: For recognition.

14 MR. SHORE: Well, we're going to have to have a
15 discussion.

16 THE COURT: Yeah, why don't you meet-and-confer on
17 it. It's going to be an evidentiary hearing, obviously. I
18 need to make findings of fact and conclusions of law, so make
19 sure that you've left yourself enough time for whatever
20 discovery and you coordinate with other witnesses you're
21 going to need to bring and so forth.

22 MR. SHORE: Understood, Your Honor.

23 THE COURT: So, we'll schedule the recognition
24 hearing. You can contact chambers once you've conferred.

25 MR. SHORE: Okay.

1 THE COURT: Ms. Sarkessian, have you --

2 (Pause)

3 MS. SARKESSIAN: So, Your Honor, I think we can
4 live with having that interim, that hearing in December for
5 just the sealing motion.

6 THE COURT: Okay.

7 MR. BROMLEY: Just so that we're clear, we're
8 talking about sealing -- we're talking about the sealing with
9 respect to the motion that we dealt with before the hearing,
10 right?

11 MS. SARKESSIAN: And the creditor matrix motion
12 and the 30 -- the top-50 and the creditor matrix being
13 sealed. I don't want that to wait until January to be heard.
14 And then the sealing motion, with respect to the other
15 matter, yes. (Indiscernible) can also be in December.
16 Anything related to sealing should be in December.

17 MR. BROMLEY: Well, Your Honor, the issues with
18 respect to the creditor matrix, I believe, are going to
19 require an evidentiary hearing, assuming that we're not going
20 to be able to get over the hump with the U.S. Trustee's
21 Office. And I do understand that the U.S. Trustee's Office
22 has a policy position on this, so I don't think we're
23 anticipating we're going to get past it.

24 So, I guess the question is, is whether we think
25 that's enough time to have an evidentiary hearing -- to

1 prepare for and have an evidentiary hearing on those issues.

2 Ms. Sarkessian, I'm sorry, what date did you
3 suggest?

4 MS. SARKESSIAN: There was some time available the
5 week of December 12th.

6 THE COURT: That's a month from today, so --

7 MS. SARKESSIAN: That's a good amount of time.

8 THE COURT: -- that should be enough time, I would
9 think.

10 MR. BROMLEY: Do you have -- I'm sorry, Your
11 Honor, during that week, is it -- this is your calendar not
12 the judges.

13 MS. SARKESSIAN: I can do it any time during the
14 week of the 12th.

15 THE COURT: I could -- I'm fairly jammed up that
16 week, other than the 16th.

17 MS. SARKESSIAN: That's good for me.

18 Does that work for you?

19 MR. BROMLEY: Okay. I guess we'll take the
20 16th.

21 MS. SARKESSIAN: That would be wonderful, Your
22 Honor. Thank you so much.

23 THE COURT: Okay. The 16th and we'll start at
24 10:00 a.m.

25 MS. SARKESSIAN: Thank you, Your Honor.

1 MR. BROMLEY: Thank you very much, Your Honor.

2 THE COURT: All right. It was going so smoothly
3 until --

4 (Laughter)

5 THE COURT: Yes?

6 MR. BROWN: Your Honor, if I may? Stuart Brown.

7 I was just looking for an objection deadline for
8 the hearing on the 16th in case others wanted to weigh in on
9 the issues.

10 THE COURT: Let's set the -- let's set it for the
11 9th with replies due on the 14th.

12 MR. BROWN: Thank you, Your Honor.

13 THE COURT: Okay. Anything else, Mr. Bromley?

14 MR. BROMLEY: That is it for the Debtors, Your
15 Honor. We want to thank you very much for the time and
16 attention. We appreciate the effort.

17 THE COURT: Thank you all for a smooth
18 presentation and a very thorough presentation. I appreciate
19 it. You brought me up to speed on the case and I'm glad to
20 hear the parties are cooperating, frankly, with the
21 liquidators and the Debtors here and the Chapter 11,
22 hopefully, that will continue and come to a resolution about
23 how to proceed forward with the sharing of information and
24 recognition and maybe we can avoid the whole hearing in
25 January or whenever it's going to be, because we don't have a

1 date yet for recognition. Okay. Well, thank you all very
2 much. We're adjourned.

3 (Proceedings concluded at 1:08 p.m.)

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CERTIFICATION

2 We certify that the foregoing is a correct
3 transcript from the electronic sound recording of the
4 proceedings in the above-entitled matter to the best of our
5 knowledge and ability.

6

7 /s/ William J. Garling

November 22, 2022

8 | William J. Garling, CET-543

9 | Certified Court Transcriptionist

10 | For Reliable

11

12 || /s/ Mary Zajaczkowski

November 22, 2022

13 | Mary Zajaczkowski, CET-531

14 | Certified Court Transcriptionist

15 | For Reliable

16

17 | /s/ Coleen Rand

November 22, 2022

18 | Coleen Rand, CET-341

19 Certified Court Transcriptionist

20 | For Reliable

21

22

23

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